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The Strategic Importance of Top Management Resistance: Extending Alfred D. Chandler

Martin Friesl, Lancaster University Management School
Winston Kwon, University of Edinburgh Business School

“Durant had reviewed the proposal but had failed to act on it. To this builder of empires, the details of organization seemed unimportant.” (Alfred D. Chandler on the reorganization of General Motors, p. 130)

Introduction

It is widely accepted that strategic change is an emergent process (Balogun, 2006; Balogun and Johnson, 2005; Mintzberg, 2000; Mirabeau and Maguire, 2014), and increasingly understood that strategic agency (Mantere, 2008) resides beyond the top management team and that strategizing activities are distributed across the organization and at different levels (Birkinshaw, 1997; Floyd and Lane, 2000; Garud and Karnøe, 2005; Lechner and Floyd, 2012; Mantere, 2005; Regnér, 2003). These dispersed and ‘autonomous’ activities are a significant resource for strategic change as they can contest and even counteract existing strategy and thus provide new emergent avenues for strategic development (Burgelman, 1983b; Burgelman, 1983a; Burgelman, 2002; Howard-Grenville, 2007; Lechner and Floyd, 2012).

Considering the inherent tension and conflict that such autonomous initiatives can engender, it is unsurprising that top management teams often react with resistance (Birkinshaw and Ridderstråle, 1999; Burgelman, 1983b; Hisrich and Kearney, 2012; O'Reilly III and Tushman, 2013). Birkinshaw and Ridderstråle (1999) use the term

‘corporate immune system’ to describe the tendency of senior managers to resist and reject strategic initiatives from below. Although ostensibly for protecting and reinforcing the firm’s existing strategic path (Burgelman, 2002; Leonard-Barton, 1992; Sydow et al., 2009), we propose that this resistance may also have ‘generative’ effects that ultimately and paradoxically facilitate strategic change (Ford et al., 2008; Thomas and Davies, 2005). It is these generative consequences of top management resistance to strategic initiatives that we focus upon in this paper.

The generative effects of top management resistance have not sustained scholarly attention as evidence for this is dispersed and comes from a variety of research areas. An early account of these effects can be found in Alfred Chandler’s book ‘Strategy and Structure’ (Chandler Jr, 1962), which describes how top management resistance to proposals for reorganization at DuPont ultimately improved the speed and outcome of the strategic changes implemented. This is supported by research that reveals how resistance can facilitate change by allowing actors to develop initiatives over time (Ford et al., 2008). Studies on issue selling illustrate how key actors develop capabilities and learn appropriate moves to influence strategy as a pre-emptive response to anticipated resistance from senior managers (Dutton et al., 2001; Howard-Grenville, 2007). More generally, research on top management team decision making processes emphasize that disagreements about strategic options and their synthesis can improve the quality of decisions reached (Amason, 1996).

While these disparate studies validate the importance of resistance for strategic change, they also reveal the limits of our understanding (Howard-Grenville, 2007). Initiatives are often portrayed as singular events that cease to exist once proposals to top management have been accepted and implemented or rejected (Birkinshaw, 1997). These studies however, provide evidence that autonomous strategic initiatives can be understood as ‘sequential games’ (Axelrod, 1983) that unfold over longer time scales. They can develop a life of their own, below the gaze of top management, waiting for the right moment to re-emerge.

Autonomous Action, Top Management Resistance and Strategic Change

In making our case for the generative role of resistance, we first critique the prevailing view of top management resistance as a consequence of autonomous initiatives and therefore a threat to strategic change. We then respond with diverse arguments suggesting how resistance can be a facilitator for change.

Top Management Resistance in Strategy Process Research

Strategy process research has long acknowledged that strategy development is a complex and contested process involving multiple parties (Bower, 1970; Mirabeau and Maguire, 2014). In his seminal work, Bower (1970) examines the budgeting process of firms to demonstrate how strategic actions do not necessarily follow a top-down path, rather they are influenced and shaped by bottom-up autonomous actions. Burgelman

(1983c) elucidates the conditions under which autonomous actions are more or less successful and how a firm's strategic and structural context can determine which initiatives prevail (Burgelman, 1991; Burgelman, 1983b). While the strategic context describes a firm's strategic intent, the structural context encompasses organizational processes and routines that influence the extent to which actors are able and incentivized to support these initiatives (Balogun et al., 2005). Such initiatives require either the mobilization of substantial political influence (Lechner and Floyd, 2012) or changes to the organization's strategic and the structural context that would otherwise impede their development and implementation (Balogun and Floyd, 2010).

Studies on the role of autonomous initiatives in large organizations often use the term 'corporate entrepreneurship' to juxtapose initiative-driven change against development through induced strategy processes (Birkinshaw, 1997; Burgelman, 1983c; Hisrich and Kearney, 2012). Initiatives are conceived of as an "essentially... entrepreneurial process, beginning with the identification of an opportunity and culminating in the commitment of resources to that opportunity" (Birkinshaw, 1997, p. 207). These studies demonstrate how initiatives often originate with middle managers, and require vertical and horizontal influencing actions in order to be realized (Floyd and Wooldridge, 2000; Lechner and Floyd, 2012). Top management resistance to autonomous initiatives is also implicit in research on issue selling (Dutton, 1993; Dutton and Jackson, 1987). Howard-Grenville (2007) describes how issue sellers develop capabilities for issue selling such

as “formal approaches that match prevailing cultural norms (asserting decision processes), customize their moves to an audience (offering explanations), prepare carefully by educating themselves and assembling information on the issue (working within constraints, providing data), and move opportunistically to advance issues when they might be most salient....” (p. 568) to influence and overcome the resistance of their top management team.

These disparate perspectives highlight autonomous strategic initiatives as an important source of change, extant research still tends to frame resistance as a primary factor behind the failure of change initiatives. Top management resistance, they argue, reduces the consideration of alternative strategic options, thus creating or reinforcing a strategic path that a firm might find hard to deviate from (Garud et al., 2010; Leonard-Barton, 1992; Schreyogg and Sydow, 2011; Sydow et al., 2009).

The generative role of resistance: An emerging view

Organizational change research also makes an implicit case that employee resistance might actually be a catalyst for strategic change (Ford et al., 2008; Thomas and Davies, 2005). In focusing on change through the implementation of a top down strategic intent, Ford et al. (2008) argue that resistance extends the process by facilitating conversations (even if negative), it also enables initiators of change (they refer to change agents) to “clarify and further legitimize the change [...]” (p. 368). While not explicitly referring to resistance per se, Amason (1996) shows that within top management teams, conflict

and disagreement “appears to be important for high-quality decisions” (p. 127) by enabling the ‘synthesis’ of different perspectives. While these studies acknowledge that resistance does have generative effects, there is clearly an absence of theorization about these effects, leading us to ask: What are the consequences of top management resistance to strategic initiatives above and beyond maintaining the status quo of the organization? This question demands a closer examination of the evolution of strategic initiatives over time.

The Implications of Top Management Resistance: The Case of Strategic Change at DuPont

A cogent case for the relevance of and thus the need for research on top management resistance is Alfred D. Chandler’s historical study of the emergence of the M-form at the beginning of the 20th century. The granular detail of Chandler’s account enables us to capture some of the mechanisms through which resistance shapes emergent strategy. As Whittington observes, “[in] Chandler’s account, strategy and organization are not abstract concepts or variables, but sheer hard work” (Whittington, 2008: , p. 273). Crucially, in the conclusion to ‘Strategy and Structure’ where he contrasted change at DuPont, General Motors, Sears Roebuck and Standard Oil, Chandler seemed puzzled by some of the evidence:

“Only at du Pont was there any explicit resistance to the recommendation of the innovators [...] There the President, Irénée, twice turned down the proposal [...]

Possibly just because of Irénée's [President of DuPont] strong resistance, the initial changes at du Pont were the most clear-cut and required the least subsequent amending of any of the four reorganizations studied." (Chandler, 1962, p. 305f)

The case of DuPont intriguingly reveals a generative interplay between strategic initiatives and resistance of the top management team (Chandler, 1962, p. 52-113), which we build on and extend by focusing on how key actors responded to top management resistance. We then identify and highlight three key mechanisms related to top management resistance that contributed to the firm's successful reorganization. These mechanisms are: (1) reframing, (2) restructuring and (3) recoupling of initiatives. Reframing refers to the process by which managers present initiatives, restructuring involves changes in the group of people involved and, finally, recoupling, involves making initiatives part of formal decision-making.

The Initiative to Transform DuPont

In the aftermath of WWI, DuPont evolved from a company focused primarily on explosives into a highly diversified conglomerate whose product range included soap, film, paint, varnish and dye stuffs. Despite this increasing complexity, the firm retained its increasingly problematic functional departmental structure, which exacerbated tensions and conflict for various functions such as sales, marketing, but also procurement. A series of projects staffed by the heads of the various functional departments but carried out by some of their direct subordinates, were initiated in 1920

to investigate this problem. The objective was to study how DuPont should be organized based on a comparative analysis of similar American firms. The conclusion was clear: “the underlying problem was not one of selling but of organization” (p. 95), as the committee thus proposed a fundamental reorganization to “make product rather than function the basis of the organization” (p. 96)

Mechanism 1: Resistance and the Reframing of Initiatives

This initial proposal to reorganize DuPont was rejected by the Executive Committee. President Irénée DuPont was uncomfortable with the idea that the firm should change the very principles of organization that had made it successful as it was a key factor in enabling the rapid scaling up of production capacity and the effective coordination of logistics across its gunpowder mills during WWI. The project team was tasked with improving the study for resubmission to the Executive Committee. This second attempt of persuading the executive team to agree to reorganization however resulted in the same outcome. DuPont should remain as it was.

Departmental managers were disappointed as the current structure was increasingly dysfunctional at the operational level. Although the initiative to reorganize DuPont was officially cancelled, three managers from the Sales, Manufacturing and Development Departments respectively, took initiative to “meet ‘unofficially and without portfolio’ to consider ways of improving the company’s performance” (p. 100). This ‘informal council’ discussed issues, particularly regarding the paint business, across departmental

boundaries. While the team's ultimate intention was to eventually formalize this paint council as a *de facto* product division, they avoided the term 'organization' in any report to the executive committee. To deflect attention from true motivations, they, instead named their proposal: "A Plan to Make 10% on Our Paint and Varnish Net Sales" (p. 100). The plan was immediately accepted by the Executive Committee, and soon after, the same group of managers submitted a further proposal to broaden the ad hoc 'council' structure to most other product lines. Again, they "did not raise the question of organization, but rather made their recommendations in a report on statistical controls." By the start of 1921, most product lines were coordinated through these councils. Despite the Executive Committee's rejection of the initial plan the "DuPont Company was beginning to move toward a *de facto* structure based on product divisions rather than functional departments" (p. 103).

Mechanism 2: Resistance and the Restructuring of Initiatives

The reframing of this initiative as one of 'profitability' rather than 'organization' also went hand in hand with the restructuring of the group of actors taking it forward. The initial reorganization initiative involved a group of managers hand-picked by the top management team: the "heads of the Sales, Treasurer's, Development Departments [...] and A. Felix du Pont, General Manager of the Explosives Manufacturing Department" plus a sub-committee of "one able representative from each department plus one of the

President's assistants." (p. 94) Yet, after the rejection of the initial proposal to the executive team, this sub-committee ceased to formally exist.

As part of the reframing of this initiative however, the small group of actors expanded to include a small core of executives that had been involved with the initial proposal: Pickard (Head of the Sales Department), Carpenter (Head of the Development Department) and MacGregor (Representative of the Development Department). In addition to these three individuals, another two joined the 'informal council'. This expanded group had a rather narrower focus than its predecessor. Rather than addressing the situation of DuPont as a whole, the 'informal council' now recruited managers with expertise in the paint business. Moreover, with the formalization of these councils, a growing group of managers across DuPont started to engage in cross-departmental coordination.

Mechanism 3: Resistance and the Recoupling of Initiatives

While the idea of councils was quickly embraced, the functional organizational structure remained in place. Rather than transforming the firm, the council was yet another management layer that required coordination across functional departments. It was soon apparent that the council solution did not go far enough, and it thus short-lived. As a way forward, and despite its previous rejection, the initial proposal for establishing product divisions was again discussed by the top management team. Put simply, the

initiative that had continued below the gaze of top management had now re-emerged to recouple with the formal decision-making process at DuPont.

The deepening of the post-war recession compounded the pressure on DuPont to act. Although explosives still earned \$2.5m in profits, all other products lost a total of \$3.8m. The executive committee still waited to take any action until Irénée returned from a business trip. Fletcher Brown, a manager in the Smokeless Powder Division, took initiative and wrote directly to Irénée, proposing that:

“The trouble with the Company is right here in Wilmington, and the failure is the failure of administration for which we, as Directors, are responsible.” (p. 105)

In this letter, Brown referred to the initial proposal made to the executive committee in the previous year and recommended that the “centralized functionally departmentalized organization structure should be completely replaced” (p. 105). Eventually, in a joint executive meeting in August 1921, Brown was asked to develop a detailed implementation plan. The original proposal of 1920 served as a blueprint for Brown’s plan, with only addition being measures to improve the structure and function of the Executive Committee itself. While Irénée remained unconvinced of the necessity to abandon the functional organization that has served the company so well, ‘in deference’ to the opinion to the majority of the executive committee (p. 110), he voted in favor of the new structure and “[i]n September, 1921, the DuPont Company put into effect this new structure of autonomous, multi-departmental divisions [...]” (p. 111).

Strategic Change at DuPont: Resistance and the Maturation of Strategic Initiatives

The initiative to reorganize Du Pont into product divisions followed anything but a linear path of development and implementation. Rather it emerged through iterative cycles of overt (and partly covert) proposals and initiatives triggered by the resistance of the executive committee and particularly through the resistance of DuPont's President Irénée. Chandler saw the resistance of Irénée as instrumental to the process of maturation that sharpened the quality and practical adequacy of plans to implement the reorganization initiative.

"Thus the manner in which the realization came of organizational inadequacies affected the nature of the resulting proposals. This, in turn, helped to determine the length of time involved in bringing the plan to fruition." (p. 305)

Indeed, as part of the general discussion of the four cases discussed in 'Strategy and Structure' Chandler explicitly juxtaposes the cases of DuPont case and General Motors. Similar to DuPont, the initiative for reorganization came from a middle manager; in this case Alfred P. Sloan, Jr. He also did a study of competitors in order to make his case for change. In contrast with DuPont however, Sloan's proposal was immediately and unconditionally accepted. Its implementation however, was fraught with difficulty and took far longer to be fully realized as "[t]he final definition of a comparable structure took longer at General Motors, for Sloan, Brown, and Pratt [Executives at GM] had more creative work to do" (Chandler Jr, 1962, p. 306).

The generative dynamics of top-down resistance are still apparent today. For example, the development of numerous new product initiatives at Apple are directly attributable to resistance by Steve Jobs, Jonathan Ives and other senior executives who were known to push back on middle management proposals with demands for further iterations of elaboration and refinement (Brown, 2011; Lashinski, 2012). By contrast, the failures of Microsoft to successfully pivot to the mobile computing paradigm and Google's problems new product initiatives such as Google Glass and Nest has been attributed to a lack of senior management oversight, or as we term here, generative resistance, which often led to the premature launch of underdeveloped technology platforms (Amadeo, 2016; Eichenwald, 2012; Bilton, 2015).

The Strategic Importance of Top Management Resistance

Chandler wrote the DuPont case with the intention of explaining the emergence of the multidivisional form. Yet, by choosing to tell the story from the perspective of the acting executives, he also afforded insight into the role of resistance for the near death of an initiative, its subsequent resurrection and ultimate implementation. These cases illustrate how change unfolds through the dialectic (Seo and Creed, 2002) relationship between autonomous initiatives and the strategic intent of top management.

Furthermore, it also demonstrates that resistance is a crucial catalyst for strategic change – not only in the implementation stage as emphasized in extant research, but

also in the strategy formation stage (see Table 1). The objective of this essay then, is to encourage further research into the role of top management resistance. The mechanisms described above, we propose, can provide an entry point for such research. We now describe these mechanisms in greater detail and then identify avenues for future research. In Table 1 we juxtapose the generative role of resistance as discussed in current research with Chandler's original interpretation, our extension and suggestions for future research.

Insert Table 1 here

Generative Mechanisms of Top Management Resistance

Chandler's cases demonstrate how initiatives are dynamic phenomena that transform over time when confronted with resistance. While the initial resistance of the Executive Committee halted formal activity, the first generative mechanism of reframing saw the initiative recast as one of improving 'performance', which allowed managers to 'go underground' and gradually recruit commitment *upwards* from the top management team, and also *downwards* from other functional heads. This gradual expansion of the practice of 'councils' across the various product lines enabled the firm to gain capabilities for coordinating across the functional boundaries of the organization. The case indicates that the actions and language used by middle managers are tailored to

mitigate resistance, such as avoiding the term ‘reorganization’. Indeed, managers strategically used accepted practices such as ‘councils’ as well as the objective of ‘profitability’ in order to reframe the initiative as less risky and thus more legitimate (Canales and Vila, 2005). We consider such reframing to be a generative effect of top management resistance as it facilitated the transformation of the initiative. To understand the intricate ways by which initiatives are shaped by top management resistance therefore, we call for more research that follows strategic initiatives over time to capture their transformation and manifold representations. The growing literature on framing and framing contests for example, could provide a theoretically nuanced entry point for such analysis (Kaplan, 2008; Pandza, 2011).

A second generative mechanism of top management resistance is the restructuring of the group of actors involved in taking the initiative forward, despite top management resistance. The initial committee tasked with a study of the ‘organization’ was staffed with the most senior managers, but as Pickard and Carpenter started to reframe the problem, they were joined by mid-level operational managers who had a strong expertise in their respective domains and were keen to remedy the dysfunctional functional structure. Thus, rather than remaining at a ‘corporate’ level, restructuring shifted the focus of the initiative downwards and closer to the firm’s operational level, whose managers were instrumental in quickly spreading the practice of informal councils across the firm. This insight relates directly to several central concerns of

recent strategy practice and process research, including: the differential role of various actors in strategy work (Jarzabkowski et al., 2007; Paroutis et al., 2013; Vaara and Whittington, 2012; Whittington, 2006); the role of middle managers more specifically (Balogun and Johnson, 2004; Rouleau, 2005); and how strategy work is distributed across the organization (Garud and Karnøe, 2005; Paroutis and Pettigrew, 2007; Pandza, 2011). This insight also highlights that the distributed nature of strategy work has implications for performance, as shown in Martin and Eisenhardt's (2010) study of cross-business unit collaboration.

Chandler's account of DuPont also highlights a third generative mechanism, which is the recoupling of initiatives to the strategy process of the firm. Recoupling involves the formal allocation of resources to a strategic initiative. While the informal council created a more product oriented organization, the firm's assets remained within functional departments. It is the recoupling of the proposal to reorganize with the firm's induced strategy process and the imperative to cope with the effects of the great depression, which won over the financial and political support of the executive committee (apart from Irénée). This extends Burgelman (2002) argument that it is these autonomous initiatives, rather than induced strategy that drives strategic change, and that commitment to a particular strategy might require structural changes before autonomous initiatives can be restarted (Burgelman, 2002; Mirabeau and Maguire, 2014).

The relationship between resistance and the generative mechanisms reframing, restructuring, and recoupling, and its implications for the maturation of initiatives also offer new insights into the antecedents of emergent strategy and strategic change. Arguably, Chandler's analysis implies that top management resistance ultimately improved not only the quality of the initiative but also the ability of the organization to absorb radically new ideas. Indeed, the informal council at DuPont was an ad hoc attempt to bridge functional boundaries in the absence of a formal change in the organizational structure. As Chandler points out, although the initiative to reorganize had the longest gestation period, the actual implementation of the M-form at DuPont was ultimately the most brief and smoothest of all the cases described.

Future research on the generative role of resistance for strategic change

While reframing, restructuring and recoupling helps to explain how and why the initiative the initiative at DuPont matured over time, we cannot claim an exhaustive listing of the generative mechanisms of resistance. Rather, our interpretation of Chandler's case indicates a need for further research on resistance and the organizational change through autonomous initiatives (see Table 1).

The mechanisms identified in this paper require further elaboration. Future studies could elaborate upon these mechanisms and identify additional mechanisms. Indeed, further effects regarding the work of individual managers might be uncovered, such as those related to identity. Moreover, future research could develop a typology of the

generative mechanisms of resistance and theorize the processual dynamic of these mechanisms. We suggest that a more comprehensive picture of these generative mechanisms is needed to account for resistance, which invariably emerges at different organizational levels (e.g. top management, middle management, etc.), during the formation and implementation phases of strategy, thus potentially resulting in radically divergent outcomes for strategic change. Such research however, requires sensitivity to different governance contexts as firms with complex stakeholder dynamics such as large public companies might experience different forms of management resistance in comparison to, for instance, entrepreneurial ventures or family firms. Therefore, we propose the study of initiatives, within context, as an appropriate unit of analysis with which to study the dynamic interplay of downward and upward resistance.

The relationship between resistance and maturation also raises important questions about the temporal dimension of top management decision making, a concept pointed out by Chandler (which he referred to as ‘delay’) and more recently addressed in Kaplan and Orlikowski’s (2013) study on temporal work. It emphasizes that strategic change is not only concerned with identifying potential futures for the organization but is also influenced by the temporal situatedness of initiatives (Brown and Eisenhardt, 1997; Friesl and Silberzahn, 2012). Indeed, the DuPont case suggests that the ‘timing’ of initiatives and proposals to the top management team was crucial. Strategy research

would benefit from greater insight into how decisions serve to postpone or expedite strategic change initiatives.

While resistance has generative effects, the absence of resistance does not preclude successful attempts at strategic change. Furthermore, resistance can and does have severe negative consequences as suggested by extant research. Therefore, we ask not whether or not resistance in itself is 'good' for strategic change, but rather we seek to better understand how the presence or absence of resistance influences the dynamic of strategic change initiatives. For example, what are the sources of top management resistance, and under what conditions can resistance serve as a catalyst for change and when does it promote inertia? Addressing these questions will require multiple theoretical entry points ranging from political to behavioral perspectives and also poses research design challenges due to the time span involved in following initiatives within organizations. Detailed historical case studies such as Pettigrew's (1985) study of ICI, Bartlett and Ghoshal's (1998) analysis of the transformation of large multi-nationals like Philips, Burgelman's (2002) account of strategic evolution at Intel or indeed Chandler's work can afford us the opportunity to capture the unfolding of initiatives over time. Therefore, illuminating the boundary conditions of generative mechanisms of resistance implies a need to become more familiar with the method of the historian (Kipping and Lamberg, 2016; Durand and Vaara, 2009; Vaara and Lamberg, 2015). At the very least, it requires sensitivity to the broader historical organizational context

(Vaara & Lamberg, 2015) in which the relationship between resistance and initiatives unfold.

Conclusion: A Plea for Further Research

For Chandler, the reorganization of DuPont was an example of organizational innovation that was not only a rational response to a turbulent environment but also a nuanced social process. Resistance was a crucial catalyst of this process that enabled the management team to better engage with the fundamental challenges facing their firm. This is the underpinning of our argument that research on top management resistance has great potential to further illuminate how organizations evolve. We drew upon the DuPont case to identify and illustrate how the process of resistance its generative mechanisms (i.e. reframing, restructuring and recoupling) can facilitate the maturation and refinement of initiatives for strategic change. In so doing, this case underscores how top management resistance is not separate, but rather integral to the process of strategy emergence. Building on our interpretation and extension of Chandler's case and echoing prior research on organizational change (Ford et al., 2008; Thomas and Davies, 2005), we therefore make a plea for more research on the 'generative' mechanisms of resistance in future (Ford et al., 2008; Thomas & Davies, 2005).

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Figures and Tables

Table 1. Overview of key arguments in the paper

	Existing research on generative role of resistance	Chandler's interpretation of resistance in the DuPont case	Reinterpretation of resistance in the DuPont case	Future Research
Source of resistance	Middle managers, employees	Top management team	Top management team	Top management team, middle managers and employees
Mechanisms	<i>Communication:</i> Maintenance of change related communication and interaction	<i>Delay:</i> Time spent reworking proposal for resubmission to the top management team	<i>Reframing:</i> Reformulation of initiatives to increase acceptance	Elaboration of generative mechanisms (upwards and downwards)
	<i>Engagement:</i> Maintenance and potentially increased engagement in change	<i>Modification:</i> Clarification and adjustment of proposal scope and content	<i>Restructuring:</i> Enrolment of different resources in the initiative	Temporal dimension of autonomous initiatives
	<i>Commitment:</i> Resistance influences recipient commitment to change		<i>Recoupling:</i> Process of reconnecting initiative back to formal strategy process and decision making	Investigation of boundary conditions of resistance facilitated strategic change
Focus	Strategy implementation	Strategy formation	Strategy formation	Strategy implementation and formation intertwined
Outcome	Organizational change	Organizational change	Maturation of initiatives	Strategic change through autonomous initiatives

Author Biographies:

Dr Martin Friesl is Senior Lecturer in Strategic Management at Lancaster University Management School. Martin's research focuses on strategic renewal and the development, change and replication of organizational capabilities in a variety of contexts such as Biotechnology, IT offshoring, Retailing, Franchising, Commercial Property Development, the Armed Forces and Financial Services. Before joining Lancaster, Martin worked as a Project Manager for Change Management with Siemens AG. Martin's work has received awards for its implications for practice and is published in journals such as *Long Range Planning*, *British Journal of Management*, *Journal of Knowledge Management*, *Cross Cultural Management*, *Journal of Applied Behavioral Science* and the *International Journal of Management Reviews*. Address: Lancaster University Management School, Bailrigg, Lancaster, LA14YX, UK. [email: m.friesl@lancaster.ac.uk]

Dr Winston Kwon is a Chancellor's Fellow in Strategic Management at the University of Edinburgh Business School and a Research Fellow of the Advanced Institute of Management (AIM). His recent work includes: a practice and process view of strategy and how they are practically accomplished through language and materiality; the unique role of social enterprise in addressing issues of social inequality and environmental sustainability; and the role of ideology and moral priorities in influencing responses to ecological crisis. Prior to returning to academia, Winston worked in finance roles in both technology and consumer sector organizations. He has published in journals such as: *Journal of Management Studies*, *British Journal of Management*, *Discourse & Society*, *Discourse & Communication* and *Marketing Theory*. Address: University of Edinburgh Business School, 29 Buccleuch Place, Edinburgh, Scotland, EH8 9JS, UK. [email: winston.kwon@ed.ac.uk]